

APPENDIX B

RETIREMENT AND INSURANCE SUPPLEMENTA. CREDITED NAFI EMPLOYEE SERVICE

After attaining eligibility for an annuity, the following, if applicable, shall be added to arrive at total credited NAFI employee service for computing the amount of the annuity.

1. Unused Sick Leave. Unused sick leave that has been accumulated by an employee at the time of his or her retirement shall be added to the employee's period of credited service in order to determine the total period of credited service.

2* Military Leave of Absence. During the time an employee is carried on leave without pay because of interruption of his or her credited NAFI service by honorable active U.S. military service, he or she remains in a continuous service status, not to exceed 5 years, provided the employee returns to civilian NAFI employment within the period of time prescribed by 38 U.S.C. Chapter 43. Duplicate NAFI service credits will not be granted for the same period of time.

B. AMOUNT OF ANNUITY AT NORMAL (AGE 62) OR DEFERRED RETIREMENT

The amount of yearly retirement annuity payable to an employee, commencing at his or her normal or deferred retirement date shall be the amount of the annuity formula reduced by the social security offset. When the amount of the yearly annuity is computed on a basis of other than the annuity formula reduced by the social security offset, multipliers shown in subsection B.2., below, may be adjusted so that the annuity, when added to social security, shall be at least equal to the results of the application of the annuity formula reduced by the social security offset.

1. "High-3" Average Compensation. "High-3" average compensation means the highest average rate of basic annual compensation for any 36 consecutive months for which contributions were made to the employee retirement program.

2. Annuity Formula. The sum of the annuity formula (explained in paragraph B.2.a. and b. below) shall not exceed 80% of the high-3 average (paragraph B.2.c).

a. For each of the first 10 years of credited service, 1-1/2 percent of "high-3" average compensation or, if greater, 1 percent of "high-3" average compensation plus \$25.

b. For each year of credited service after the 10th year, 2 percent of "high-3" average compensation or, if greater, 1 percent of "high-3" average compensation plus \$25.

c. Eighty percent of "high-3" average compensation.

3. Minimum Annuity. A minimum annuity shall be provided only to the degree necessary to prevent low-paid vested plan participants from retiring without some NAFI-provided annuity.

4. Social Security Integration - Social Security Offset. Heads of Components may integrate **NAF** pension plan benefits with Social Security benefits. Integration may be accomplished by the Social Security offset method whereby a person's pension is reduced by an appropriate percentage of the person's Social Security benefit.

It should be noted that a reduction or elimination of the Social Security offset to a NAF plan, without making other changes to the plan, would increase the amount **of** the plan's pensions (see Chapter **VI.A.2.**).

Heads of Components should periodically review their NAF plan(s) pension integration and basic annuity computation formulas and make changes as appropriate.

5. Retention of Accrued Credited Service for Retirement Annuity Purposes

a. When an RFT DoD Component NAFI employee, who is participating in the Component's NAFI retirement plan, terminates employment (for reasons other than retirement) and is employed by another DoD Component NAFI within 90 calendar days, and the gaining **NAFI** offers a different retirement plan, the employee may carry forward his or her credited service accrued for retirement annuity purposes. The reemployed employee shall carry forward all prior credited service as accrued up to the date of termination or subsequent termination. (Exception: If the gaining NAFI retirement plan does not cover part-time employees, then crediting part-time service from a different NAFI is not required.)

b. Upon retirement from the gaining DoD Component **NAFI**, the employee's retirement annuity shall be the same as if the entire period of combined creditable RFT NAFI service had been creditable under the gaining DoD Component NAFI retirement plan. The retirement annuity so determined under the gaining NAFI retirement plan shall then be reduced by the amount or amounts that would be payable under the losing NAFI retirement plan or plans. When an employee terminates employment with the losing **NAFI** before becoming vested, the employee will not be entitled to any benefits from the losing **NAFI**, except for a withdrawal of his or her own contributions. However, credited service rendered for the losing NAFI shall be carried forward and counted when determining the employee's accrued benefits and shall further be counted in determining the employee's position on the vesting schedule of the gaining NAFI retirement plan. However, the position on the vesting schedule is not applicable for determining any eligibility for a disability annuity, as the requirements for such vesting are those of the gaining **NAFI's** retirement plan only. When such terminated employee withdraws his or her contributions before becoming vested, the retirement benefits due from the gaining **NAFI** plan shall be reduced and offset by the amount as specified in subparagraph **B.5.b.(4)**, below.

(1) The retirement annuity for such an RFT NAFI employee shall be computed using the gaining **NAFI's** retirement **plan** computation. It shall be based on all accrued credited service as rendered under the prior DoD Component NAFI employee retirement **plan or plans, plus all** service creditable under the

gaining DoD Component's NAFI retirement plan or plans. The losing DoD Component NAFI shall transfer such data as required to the gaining NAFI in accordance with paragraph **B.5.b.**, above. The gaining DoD Component NAFI shall disregard any service rendered in a part-time capacity, if such service is not otherwise credited for its own part-time employees.

(2) The resultant annuity, based on all credited service (including service rendered before the employee became vested) shall be offset by the amount or amounts which would be payable under the losing DoD Component NAFI retirement plan or plans, at age 62, without regard to whether the employee has or has not withdrawn his or her prior contributions and after application of the social security offset. If the employee is 62 at the time of termination from the losing DoD Component **NAFI**, the amount of the offset shall be that amount which would be payable if the employee had retired and commenced immediate receipt of the annuity at the time of that termination.

(3) For purposes of determining the offset mentioned in subparagraph **B.5.b.(2)**, above, the annuity amount accrued during the prior periods of employment shall be as reported in accordance with subparagraphs **B.5.c.(3)** or **c.(4)**, below. The actual calculation shall be based upon the annuity formula in effect at the time of termination of employment from the prior DoD Component **NAFI**. In calculating this annuity, the social security offset shall be applied as of the date of termination. To the extent that an employee was not vested at his or her prior termination date from a losing **NAFI**, the annuity amount for which the losing NAFI shall be liable, assuming such employee withdrew his or her contributions, shall be equal to zero. However, as stated in paragraph **B.5.a.**, above, credited service shall be carried forward and counted when determining the employee's accrued benefits with the gaining **NAFI**, subject to the offset provided in subparagraph **B.5.b.(4)**, below.

(4) When an employee was not vested at his or her prior termination from a losing **NAFI** and when such terminated employee withdraws his or her prior contributions, the gaining NAFI shall reduce benefits otherwise due by an offset. The offset shall be equal to the annuity amount which the employee's own contributions would have been sufficient to fund for him or her, assuming such contributions had continued on deposit since initially contributed.

c. In the case of each affected, or potentially affected, employee, it is the responsibility of the gaining DoD Component NAFI retirement plan administrator to request from the counterpart losing DoD Component retirement plan administrator or administrators, a statement setting out:

(1) The employee's name (last, first, M.I.), social security number, date of birth, beginning and ending periods of NAFI **RFT** employment, RPT employment, and **number** of years (including partial years) of accrued credited service for annuity accrual purposes under the losing DoD Component's NAFI retirement plan.

(2) The salary or wage history of the employee, including an explanation of the years used in calculating average compensation upon which the annuity calculation is based.

(3) The actual calculation of the resultant accrued annuity amount, assuming commencement of such benefit at age 62. If a terminating employee previously withdrew his or her employee contribution, two separate calculations shall be provided as follows:

(a) The annuity such participant would have received had he or she left all employee contributions in the plan (this amount shall represent the amount of the actual offset to such gaining NAFI retirement plan).

(b) The annuity amount actually due the employee, if any, and the date benefits are scheduled to commence.

(4) If a terminated employee was not vested at his or her termination date, the losing NAFI shall specify the annuity amount that the employee's own contributions would have been sufficient to fund for him or her, assuming such contributions had continued on deposit since initially contributed. In addition to specifying this amount, the losing NAFI shall further specify to the gaining NAFI whether or not a benefit is actually due for contributions not previously withdrawn.

d. It is the responsibility of the losing DoD Component NAFI retirement plan administrator to provide promptly the above data upon request. If prior knowledge indicates that the data is needed, the losing NAFI shall furnish any data necessary to provide full and fair disclosure to the gaining NAFI. In the event a terminated employee was not vested at the time of termination, the losing NAFI shall provide the information required in subparagraphs **B.5.c.(1)** and (4), above.

e. The gaining DoD Component NAFI retirement plan administrator shall record the applicable employee statistics as supplied in subparagraphs **B.5.c.(1)** through (4), above, in the affected employee's retirement plan records and **apply** the **offset** when retirement annuity payments commence. If retirement benefits are to commence before age 62, the gaining NAFI shall actuarially reduce the amount of the offset (to be applied from the losing NAFI or **NAFIs**) so as to reflect the early payments of benefits.

f. The gaining NAFI shall notify the losing NAFI or **NAFIs** of the employee's actual retirement date and **the** date annuity benefits are to commence. Under standard practice, an employee shall be eligible to withdraw his or her own contributions from the losing NAF retirement plan but the employee shall not be eligible to receive his or her retirement benefits from the losing NAFI retirement plan or plans until actual retirement from **the** gaining NAFI.

g. The above portability shall not apply to a terminating employee who is eligible and has since commenced receiving, **or** is about to receive, a retirement annuity from the losing NAFI plan. In this event, the employee shall be considered a new employee with the gaining DoD Component NAFI.

h. The losing NAFI shall not transfer and the gaining NAFI shall not require the transfer of any pension assets to accomplish the intent as outlined here.

c. SURVIVOR BENEFITS

Survivor benefits may be provided in one or more of the following forms:

1. Survivor's Annuity on Death of Employee

a. Eligibility. If an employee dies while employed, and after completion of at least 60 months of credited NAFI service, an annuity shall be payable to the surviving spouse. The spouse must have been married to the employee for at least 1 year immediately preceding the employee's death or be the parent of a child born of the marriage.

b. Amount of Survivor Annuity on Death in Service. The amount of the survivor annuity payable to an eligible surviving spouse shall be 55 percent of the greater of the amounts determined under subparagraphs C.1.b.(1) or (2), below, minus (3), below:

(1) The annuity formula - without reduction for age of employee at time of death.

(2) The lesser of the amounts determined under subparagraphs C.1.b.(2) (a) or (b) below:

(a) Forty percent of the employee's "high-3" average compensation.

(b) The annuity formula after increasing credited service by the period from the employee's date of death to age 60.

(3) One hundred percent of any surviving spouse's benefit currently payable under the Social Security Act.

c. Adjustment of Amount of Survivor Annuity. The amount of survivor annuity shall be adjusted upon commencement, cessation, or recommencement of a surviving spouse's benefit under the Social Security Act. The amount of the survivor's Social Security income award shall be applied automatically as an offset when the surviving spouse becomes 60 years old or, if later, upon the death of the employee without regard to whether the surviving spouse actually elects to commence receipt of it. The amount may not be adjusted because of changes in the social security benefits created by an amendment to the Social Security Act or by automatic increases in social security benefits reflecting increases in the Consumer Price Index.

d. Duration of Payment of Survivor Annuity Following Death in Service. The surviving spouse's annuity payments are payable as of the 1st day of each month following the employee's death. Payments shall continue until the last monthly payment before the earlier of the following dates:

(1) The death of the surviving spouse.

(2) The date of remarriage of the surviving spouse if such marriage occurs before age 60.

e. Conditions for Termination and Recommencement of Survivor Annuity (Death in Service). A survivor annuity that is terminated because of remarriage before age 60 may again become payable if the remarriage is terminated by death, annulment, or divorce and if the surviving spouse repays any lump-sum benefit that was paid upon termination of the annuity. Such repayment may be made by withholding the annuity payable until the lump-sum benefit paid is satisfied.

2. Survivors Annuity on Death of Annuitant After Retirement

a. Eligibility

(1) If an employee is married when he or she retires, unless the employee elects not to provide for a surviving spouse annuity, his or her annuity is automatically reduced actuarially and a survivor annuity shall be payable to the surviving spouse. A plan may provide for a uniform 10 percent reduction instead of an actuarial reduction.

(2) If an employee is not married when he or she retires, the employee may elect an annuity with a survivor benefit provided proper medical authority recommends to the Head of the ~~non~~ Component that the employee is in good health for his or her age. In such event, the employee's annuity shall be reduced actuarially and an annuity shall be payable to the child (or children) or another person having an insurable interest designated by **name**.

b. Amount of Survivor Annuity (Death After Retirement). The amount of the survivor annuity shall be 55 percent of all or any of the portion of the employee's annuity which he or she elects or accepts as a basis for the survivor benefit, calculated as follows:

(1) If the employee retires at or after age 62, the amount payable to the surviving spouse shall be 55 percent of the portion of the employee's annuity elected as the basis for surviving spouse annuity. This 55 percent factor shall be calculated against the applicable portion of the employee's annuity before the 10 percent or actuarial reduction is made so as to provide for survivor annuity as prescribed in paragraph C.2.a., above.

(2) Upon retirement before age 62, the employee may designate all or any portion of his or her temporary and lifetime annuity as the basis for surviving spouse annuity. (**Temporary** annuity is the amount that shall be paid only until the employee attains age 62, at which time the **social security** offset becomes applicable. Lifetime annuity is the amount that shall continue to be paid after the employee attains age 62.)

(a) If the employee should die before attaining age 62, the surviving spouse annuity shall be reduced (as of the 1st day of the month coincident with or immediately following the date on which the employee would have attained age 62) by 55 percent of the amount of social security offset that would have been applied to the employee's annuity had the employee lived to age 62.

(b) If the employee dies after age 62, at which time his or her own annuity shall have been reduced by discontinuance of the temporary

portion , the surviving spouse annuity shall be 55 percent of the employee's lifetime annuity.

(3) When the employee does not have a spouse and elects an annuity with a survivor benefit to a child (or children) or other named person having an insurable interest, the annuity for the designated survivor (or the annuity to ~~be~~ divided among two or more designated children) shall be 55 percent of all or any portion of the employee's lifetime annuity that he or she elects as a base for the benefit remaining after the reduction for the survivor annuity.

(a) In the event of early retirement (that is, before age 62) and when the retirement plan provides for social security offset, the survivor annuity shall be calculated at 55 percent of the applicable portion of the employee's lifetime annuity (that is, the amount of the employee's annuity that would be payable after application of the social security offset at age 62, regardless of whether the employee dies before or after age 62).

(b) If two or more children have been designated by name, the total amount of survivor annuity payable shall be proportionately reduced upon the death of one or more of those designated who were living on the date the employee's retirement annuity became payable, whether such death occurs before or after the death of the employee.

(4) If the death of a disability **annuitant** occurs, the surviving spouse benefit shall equal 55 percent of the elected portion of the employee's annuity before social security offset, less 100 percent of any surviving spouse's benefit payable" under Social Security. (A disability annuitant may designate only a spouse for survivor annuity.)

(5) When the employee's annuity is computed on a basis other than the annuity formula reduced by the social security offset (see subsection **B.4.**, above), in the case of a provision for the surviving spouse annuity, the computation of the 55 percent shall be applied to the annuity before the 10 percent or actuarial reduction, and in the case of a provision for a child (or children) or other named person, after application of that reduction.

3. Lump-Sum Death Benefit. This benefit applies only when the employee's contributions with interest exceed the annuity paid or payable.

a. Amount. The amount of **any** lump-sum death benefit when an annuity is not payable, shall be equal to subparagraph **C.3.a.(1)** minus (2), below:

(1) The employee's contributions to the plan, with interest, to the earliest of the 1st day of the month in which the employee's death occurs, or the date annuity payments become payable to the employee.

(2) The sum of all annuity payments made to the employee or a survivor, whether the survivor is a surviving spouse or children designated by name or another person having an insurable interest.

b. Events **Warranting** Lump-Sum Payment. A lump-sum death benefit, if any, becomes payable on a date determined as follows:

(1) When no survivor annuity is payable, the date of death of the employee.

(2) When a survivor annuity is payable, the date of death of the last survivor to whom an annuity is payable or, if earlier, the date on which a survivor annuity ceases because of remarriage before age 60.

(3) When a surviving spouse would qualify for a survivor annuity upon or after the death of an employee, but no survivor annuity would be payable because the social security benefit provides the full amount or more, a lump-sum death benefit shall be payable to the spouse. In such circumstances, if a survivor annuity becomes payable at a later date because of cessation of social security benefits, the survivor shall be required to refund the amount of any paid lump-sum death benefit. Repayment may be made by withholding the annuity payable until the paid lump-sum benefit is satisfied.

D. DISABILITY BENEFITS

1. Amounts. The amount of the disability benefit shall be equal to the greater of the amounts determined under paragraphs D.1.a. or b. minus c., below:

a. The annuity formula - without reduction, regardless of the employee's age.

b. The lesser of the amounts determined under subparagraphs D.1.b.(1) or (2), below:

(1) Forty percent of the employee's "high-3" average compensation.

(2) The annuity formula after increasing credited service by the period from the employee's date of separation for disability to age 60.

c. One hundred percent of any benefit that the employee is entitled to under the Social Security Act, provided that on or after the date the employee attains age 62, this amount shall be no less than 12 times the monthly primary insurance amount for the employee as of the date the employee attains age 62.

2. Recomputation. The amount of the disability annuity shall be recomputed whenever social security benefits payable to the employee commence, cease, or recommence. The amount shall not be recomputed or adjusted on account of changes in the Social Security Act or by automatic increases in social security benefits reflecting increases in the Consumer Price Index.

3. Duration. Disability annuity payment shall continue, provided the employee remains totally and permanently disabled, until normal retirement annuity payments begin. When the employee reaches normal retirement age, he or she may elect to continue on disability annuity or receive a regular retirement annuity instead.

E. TERMINATION OF EMPLOYMENT OR CHANGE IN EMPLOYMENT STATUS

The following options are available to an employee when, for any reason other than death, his or her service is terminated before a normal or earlier

retirement, or the employment status is **changed** so that the employee is ineligible to continue to participate in the retirement plan.

1. Option A. An employee may have all his or her contributions returned; **and in** addition, if the employee has been employed for 3 full years, for which he or she has made contributions, such employee **shall** receive interest on these contributions. No interest is payable for an employee who terminates before completing 3 full years of credited service.

2* Option B.

a. An employee who has completed more than 5 years of credited service but is still under age 30, may leave his or her own contributions in the plan and later receive an annuity commencing on his or her normal retirement date, if the employee is then living, in the amount that the employee's contributions have been sufficient to purchase for him or her.

b. An employee who has completed 5 or more years of credited service and has attained the age of 30 **shall** receive an annuity at normal retirement age based on his or her and the employer's contributions.

c. If the amount of annuity payable would be \$600 per year, or less, a one-time lump-sum payment of equivalent actuarial value may be made instead.

d. An employee who has elected Option B may elect to have his or her annuity begin on the 1st day on any month during the 10-year period immediately preceding his or her normal retirement date. In this case, however, the employee's annuity shall be reduced at the rate of one-third of 1 percent for **each month** (4 percent each **full year**) **by which** the elected **annuity** commencement date precedes age 62.

F. GROUP LIFE INSURANCE

Life insurance shall be provided in an amount equal to an employee's annual pay rounded to the next higher thousand plus \$2,000.

G. ACCIDENTAL DEATH AND DISMEMBERMENT

This coverage shall be furnished in an amount equal to the life insurance coverage subject to the customary schedules for dismemberment and the usual exclusions, including physical or mental infirmity or disease, ptomaine or bacterial infection, medical or surgical treatment (unless made necessary by a covered injury), suicide, or intentionally self-inflicted injury, or war or any act of war.

H. COMPREHENSIVE MEDICAL EXPENSE

1. Comprehensive Medical Expense Benefits. Comprehensive medical expense benefits cover medical expenses that result from serious or prolonged disabilities as well as from ordinary injuries or diseases, regardless of the number of in-juries or diseases suffered. Benefits shall not only be payable for expenses arising in the hospital, but also for medical charges that are not a part of the hospital bill.

2. Amount of benefits. The amounts of benefits shall be:

a. One hundred percent of the first \$1,000 of allowable hospital expense incurred in any calendar year, plus 80 percent of the amount in excess of a deductible \$100 (see subsection **H.3.**, below).

b. Eighty percent of reasonable and customary surgical expenses incurred in any calendar year, in excess of a deductible \$100 (see subsection **H.3.**, below).

c. Eighty percent of other medical expenses in excess of a deductible of \$100 in any calendar year. However, for excess expenses which are for treatment of a mental or nervous disorder while not confined in a hospital as an inpatient, the benefit shall be 50 percent.

3. Deductible. A deductible of \$100 in each calendar year shall be applied to each insured employee and dependent before "other medical **expenses**" qualify. The maximum family deductible shall be \$300 per calendar year.

4. Lifetime benefit. For any plan offered, including low-option type plans, the lifetime benefit for all incurred covered medical expenses combined shall be unlimited. This unlimited lifetime amount applies separately to each insured family member.

5. Second Surgical Opinions. Each plan, including low-option type plans, shall reimburse 100 percent of the expense incurred for a second surgical opinion, and a third one, if the first two opinions do not agree.

6. Catastrophic Coverage. Each plan, including low-option type plans shall provide a maximum-out-of-pocket limit so that when any insured family member's costs exceed a predetermined fixed amount, the plan **will** pay **100** percent of that person's costs for the rest of the calendar year. There shall be a maximum-out-of-pocket limit for the family so that when a family's total costs exceed a predetermined fixed amount, the plan will pay 100 percent of the family's costs for the rest of the calendar year.

7. Coordination With Other Benefits. The medical expense benefits program is designed to help meet the cost of disease or injury. Since it is not intended that greater benefits be received than the actual medical expenses incurred, the amount of benefits payable under the program shall take into account any coverage a **family** member has under other group plans; that **is**, the benefits under this program shall be coordinated with the benefits of the other group plans.

8. Effect of Medicare. Heads of DoD Components shall ensure that the coordination of Medicare with NAFI employee benefit provisions shall be in compliance with currently applicable laws, rules, and regulations.

9. Dependents. The following categories of dependents shall be eligible for coverage under the comprehensive medical benefits programs:

- a. The employee's spouse.
- b. Unmarried children under age 19.

c. Unmarried children under age 23 who are full-time students and also receive over 50 percent of their support from the employee.

d. A child **of** any age who is physically or mentally handicapped and who depends on the employee for support, if the handicap existed before the child's 22nd birthday, or 23rd birthday if the child met the conditions of the previous paragraph (c) at the time he/she became handicapped.

e. The term "children" shall include the employee's natural children, adopted children, stepchildren, foster children, and other children who are dependent upon the employee for support and live with the employee in a regular parent-child relationship.

10. Extension of coverage. At the option of the Component, if a covered employee loses eligibility for comprehensive medical expense coverage for any reason except voluntary cancellation, he/she may continue to be insured for comprehensive medical expense coverage for the 90-day period immediately following the date he/she ceases to be eligible, if he/she:

- a. Makes application for such extended coverage before such date;
- b. Biweekly pays employee's and employer's share of the premium; and
- c. Has been continuously insured under the policy during the three months immediately preceding the date eligibility ceases.

The premium payable shall be at the then applicable rate of the policy. No evidence of insurability or medical examination shall be required to continue such coverage.

I. CONVERSION PRIVILEGES

When by reason of termination or other change in his or her employment status, an employee is ineligible to continue to participate in the group life insurance or group medical plan, conversion privileges to individual life policies or individual medical expense policies **shall** be made available, in accordance with the conditions of the insurance policy in force. Life insurance and medical expense policies, if converted to individual policies within 31 calendar days of termination of the group life or group medical plan coverage, shall be issued without medical examination and at the insuring company's or companies' regular rates for individual life insurance or medical expense benefits plans. The whole cost of such insurance shall be borne by the insured.

J. WAIVER OF BENEFITS

Eligible employees who decline to enroll or participate in the retirement plan, the comprehensive medical expense **plan**, the life insurance plan, the accidental death and dismemberment plan, or the disability plan, shall be required to sign a waiver. The waiver shall explain the benefits declined (or **shall** refer the employee to documents that explain the benefits declined) and the impact the decision to decline has on the employee's subsequent ability to enroll in such benefit plans, including waiting period and evidence of insurability requirements. The signed waiver, or a memorandum for the record

signifying the employee's refusal to sign a waiver, shall be placed in the employee's Official Personnel Folder.

K. BENEFITS FOR RETIREES

The following insurance benefits shall be provided to eligible retired employees. Heads of Components may decide not to charge retirees for these benefits.

1. Life Insurance

a. Eligibility. When an employee retires at normal retirement date (age 62), or thereafter, with at least 5 years of credited service, and with 15 or more years of accumulated participation in the group life insurance program for active employees, he or she shall be eligible for the group life insurance program for retired employees on the date retired, provided the employee was insured under such program on the day before retirement.

b. Amount. Upon retirement on or after age 62, an amount of group life insurance shall be continued, based on the amount of life insurance in force on the day before retirement, until attaining age 65. Upon attaining age 66, the amount of life insurance shall be reduced by 25 percent of the amount in force just before attaining age 65. It shall be reduced thereafter by a further 25 percent on each of the 67th and 68th birthdays and it then shall remain at 25 percent of the amount of insurance in force just before attaining age 65.

2. Comprehensive Medical Expenses

a. **Employees** who retire and have been participating in the health plan for a reasonable length of time, and their dependents, shall be provided continued medical coverage. Dependents (other than those children whose coverage would be canceled at age 19 or 23) shall be eligible for continuous coverage until receiving Medicare coverage at age 65, regardless of the retiree's age.

b. When the retiree or dependent receives Medicare coverage at age 65, Heads of Components are encouraged to at least structure their plans so that Medicare becomes the primary carrier, and the NAFI plan becomes the secondary payer of benefits using the "government exclusion" method of integration, subtracting Medicare payments before applying deductible and copayment provision.